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SUBJECT: DISSENTION IN THE RANKS: PUBLIC POWER CORPORATION'S PALEOKRASSAS RESIGNS FROM GREEK GOVERNMENT

¶1. (U) Summary. On December 1st, Public Power Corporation's (PPC) President, Ioannis Paleokrassas resigned from his politically appointed post after his latest misstep within the ranks of the ruling New Democracy (ND) party. A former Minister of Finance in the previous Mitsotakis administration, Paleokrassas often clashed with Development Minister Dimitris Sioufas, PPC board members, and other ND party officials during his tenure at the PPC in his attempts to expose corruption and consolidate real rather than ceremonial power. His departure raises further questions about the effectiveness and the sincerity of the GoG to increase transparency and liberalize the domestic energy market. End Summary.

Background-An Insider on the Outside

¶2. (U) Ioannis Paleokrassas began his political career in 1977 as a Deputy Minister and moved in and out of government several times during the next 28 years, serving as Minister of Finance, European Communities Commissioner and as a Member of Parliament. Current PM Kostas Karamanlis nominated him to serve as chairman of the PPC in 2004, shortly after ND took power.

¶3. (U) In spite of his prominent position with senior ND ranks, Paleokrassas' has often clashed with those around him. In 1978, he likened the Greek economy to the Soviet Union and said that the reason for a stagnant Greek economy was "statism and the French left-wing culture of all political sides." In 1989, he grew even more bold, declaring that "No market operates in Greece. Oligopolies, the expression of immorality in the economy, hold sway...Greece is a vast graveyard of competition, where Greek graverobbers of protectionism wander with the blessings of the country's political and intellectual leadership."

¶4. (U) Upon taking offic in early 2004, Paleokrassas began to clash with Sioufas regarding senior PPC executives Stegios Nezis and Avraam Mizan, who were retianed from the previous PASOK government. As the battle continued over his actual power, Paleokrassas sent documentation on 7 different current and former PPC officials, Nezis ans Mizan included, and their involvement in corruption schemes to the public prosecutor's office. When challenged on his actions by Sioufas, Paleokrassas contacted PM Karamanlis to obtain support, which he received.

The Proverbial Straw

¶5. (U) Rumors surrounding tensions between Paleokrassas and GoG officials and the PPC board exploded into the open as a result of an interview given to Greek daily Kathimerini on 27 November. Likening the media and other members of parliament to instruments, he touched political nerves by his statement that there were "Senior Political Ministry officials (who) act as conductors, completing the orchestra." One international journalis told Econoff that he was shocked by Paleokrassas' comments, not because they were untrue, but because of the very public way in which he was putting into question the ND government's stated dedication to confronting corruption.

¶6. (U) Three days of political and media fallout followed the publication of the Kathimerini interview and led to a December 1 meeting with Minister of Development Sioufas in which Paleokrassas was asked to provide evidence on his allegations by 6 pm that day or resign. Paleokrassas also requested to meet with PM Karamanlis on 1 December as well, but the PM refused the meeting. Paleokrassas offered his formal resignation letter to the PM the next day.

The Exit Interview

¶7. (U) In a press conference December 5, Paleokrassas clarified that his allegations of corruption were directed against former PASOK members of PPC, but focused on Sioufas as complicit in protecting two of the individuals he referred to the public prosecutors office (Stegios Nezis and Avraam Mizan). Sioufas issued a detailed response to Paleokrassas' allegations that explained his support of the two individuals in question was in the interest of continuity as the country

moved toward the critical time surrounding the 2004 Olympic Games.

Comment

18. (U) Paleokrassas' resignation has inevitably raised questions amongst the Greek public about the Karamanlis government's anti-corruption drive. We believe his motivations, however, are more consistent with his past attempts to consolidate power in the chairman's office and rid the PPC senior leadership of anyone not loyal to his cause. It appears that his latest series of allegations were simply too much for the GoG to bear, leading to the call for his resignation.

19. (U) Paleokrassas' resignation has nonetheless focused tremendous public and media attention on the GoG's policies vis-a-vis market reforms in general and the PPC specifically.

This fallout will inevitably cause the GoG to tread especially carefully in coming months as it works to move ahead with reform while not completely abandoning consideration of its political debts.

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